

**GREENE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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**GREENE COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

Sara Zimmerman	President	2003
Robb Holtz	Vice President	2003
Stanley Cousins		2005
Jeff Lindell		2005
Warren Van Dyke		2004

(After September, 2003 Election)

Sara Zimmerman	President	2003
Stanley Cousins	Vice President	2005
Robb Holtz		2006
Jeff Lindell		2005
Warren Van Dyke	(Resigned April, 2004)	
Troy Feldman		2004

**SCHOOL OFFICIALS**

Steve Ward	Superintendent
Jan Trees	District Secretary
John Barth	District Treasurer

## Independent Auditor's Report

To the Board of Education of the  
Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Greene Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Greene Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9 to the general purpose financial statements, during the year ended June 30, 2004, Greene Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37 Basic Financial Statements and Management's Discussion and Analysis; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 9, 2004 on our consideration of Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greene Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 9, 2004

## GREENE COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

Greene Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 200 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,617,244 in fiscal 2003 to \$2,605,399 in fiscal 2004, while General Fund expenditures increased from \$2,710,835 in fiscal year 2003 to \$2,719,973 in fiscal 2004.
- The decrease in General Fund revenues was attributable to state budget cuts, which not only affected state aid, but categorical funds as well. As a result of the state budget cuts, the AEA Flow Thru dollars were also reduced. Expenditures were held steady by monitoring overtime payroll and discretionary spending.
- Declining investment revenues resulting from a combination of declining interest rates and cash balances continued for the second consecutive year in fiscal year 2004.
- The General Fund balance decreased by over \$113,000 from fiscal 2003 to Fiscal 2004. Inadequate funding increases as well as declining enrollment have had a negative impact.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide *financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Greene Community School District**

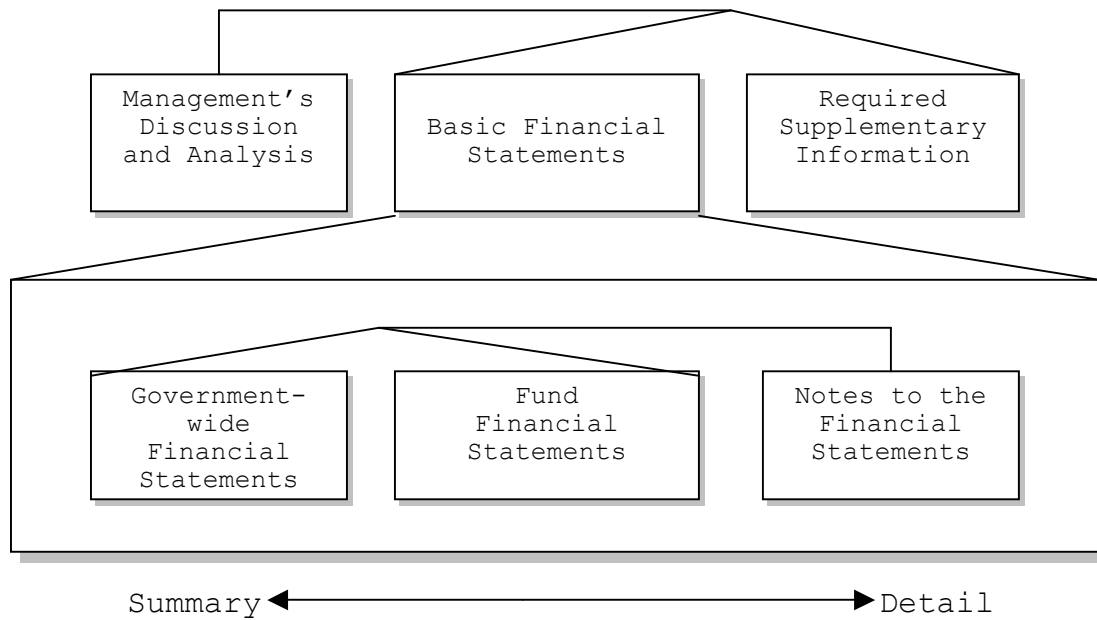


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in net assets</li> <li>. Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Statements

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-04</b>
	\$	\$	\$	\$	\$	\$	%
Current assets	2,961	3,772	14	12	2,975	3,784	-27.19%
Capital assets	4,067	4,230	8	3	4,075	4,233	-3.88%
<b>Total assets</b>	<b>7,028</b>	<b>8,002</b>	<b>22</b>	<b>15</b>	<b>7,050</b>	<b>8,017</b>	<b>-13.72%</b>
Current liabilities	1,568	2,000	-	-	1,568	2,000	-27.55%
Non-current liabilities	3,635	3,765	-	-	3,635	3,765	-3.58%
<b>Total liabilities</b>	<b>5,203</b>	<b>5,765</b>	<b>-</b>	<b>-</b>	<b>5,203</b>	<b>5,765</b>	<b>-10.80%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	432	465	8	3	440	468	-6.36%
Restricted	797	1,043	-	-	797	1,043	-30.87%
Unrestricted	596	729	14	12	610	741	-21.48%
<b>Total net assets</b>	<b>1,825</b>	<b>2,237</b>	<b>22</b>	<b>15</b>	<b>1,847</b>	<b>2,252</b>	<b>-21.93%</b>

The District's combined net assets were less than at June 30, 2004 than June 30, 2003. The decrease occurred as a combined result of decreased tax revenue from state sources and increases in spending for payroll and related expenses.

Changes in net assets - Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	159	92	251
Operating grants, contributions and restricted interest	410	81	491
Capital grants, contributions and restricted interest	523	-	523
General revenues:			
Property tax	1,519	-	1,519
Local option sales tax	14	-	14
Unrestricted state grants	1,050	-	1,050
Unrestricted investment earnings	12	-	12
Other	30	-	30
Total revenues	<u>3,717</u>	<u>173</u>	<u>3,890</u>
Program expenses:			
Governmental activities:			
Instruction	1,743	-	1,743
Support Services	1,120	-	1,120
Non-instructional programs	21	166	187
Other expenses	<u>1,232</u>	<u>-</u>	<u>1,232</u>
Total expenses	<u>4,116</u>	<u>166</u>	<u>4,282</u>
Change in net assets	<u>(399)</u>	<u>7</u>	<u>(392)</u>

Property tax, local option sales tax and unrestricted state grants account for 66% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 67% of the total expenses. The percentage of expenses for instruction and support services will increase dramatically as the high school building was substantially completed in fiscal 2004.

#### **Governmental Activities**

Revenues for governmental activities were \$3,716,000 and expenses were \$4,082,917. In a difficult budget year the District attempted to balance the budget by reducing discretionary spending and seeking out alternative revenue sources such as grants, however, state funding cuts during the school year made this nearly impossible.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	1,743	1,282
Support Services	1,120	1,118
Non-instructional programs	21	21
Other expenses	<u>1,232</u>	<u>602</u>
Totals	<u><u>4,116</u></u>	<u><u>3,023</u></u>

- The cost financed by users of the District's programs was \$159,003.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$721,660.
- The net cost of governmental activities was financed with \$1,519,486 in property tax, \$1,049,801 in state foundation aid, \$13,849 in local option sales tax and \$11,805 in interest income.

#### **Business-Type Activities**

Revenues of the District's business-type activities were \$173,097 and expenses were \$165,767. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Increases in Federal meal reimbursements and cost containment measures contributed to the nutrition fund financial status.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As previously noted the Greene Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of 1,824,764, above last year's ending fund balances of \$2,223,664. This is a result of inadequate funding at state and federal levels to fulfill mandates placed on the District.

#### **Governmental Fund Highlights**

- The District's General Fund balance was reduced due to a combination of decreased state tax revenues and increased payroll expense.
- The maintaining of funds was made even more difficult with the state eliminating the Phase III money previously received by the District.
- The District completed the high school building project.

#### **Proprietary Fund Highlights**

Federal reimbursements increased due to price increases in Federal nutrition programs.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 32 and 34.

### **Legal Budgetary Highlights**

The District's total actual receipts were approximately \$109,000 less than the total budgeted receipts, a variance of less than 3%. The most significant change resulted in the District receiving less in various components of state aid than originally anticipated. This was offset somewhat by higher than anticipated revenue from Federal sources.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2004, the District has invested more than \$4,000,000. In a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$160,000.

### **Long - Term Debt**

The District has \$3,635,000 in general obligation bonds from the construction of a secondary school building. These bonds have an average interest rate of 4.55%. They will be paid off over the next 16 years with previously approved property tax levies.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District began a two way sharing program with the Allison-Bristow Community School District. It is hoped that this will result in cost savings.
- The District will continue to seek out new sources of revenue, such as At-Risk Allowable Growth, Instructional Support Levy, and other grants that may be available for additional revenues.
- Future enrollment stability is a critical element in maintaining a sound financial foundation. Enrollment is currently declining and projects to continue to do so. This fact coupled with decreased state funding obviously does not bode well for the District's financial health. This decrease in funding will dramatically affect the General fund cash and unspent balances, along with having a negative affect on personnel and programming offered by the District.

- Iowa law requires that unsettled salary negotiations for teachers to mandatory arbitration. Invariably arbitrated settlement are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). Employee wage and benefit settlements exceeding the growth rate in State funding will continued to force the District to consider additional budget reductions to balance the General Fund budget.
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. No Child Left Behind, Student Achievement, Teacher Quality Act, and GASB 34 to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Ward, Superintendent, Greene Community School District, 208 North Fourth Street, Greene, IA 50636.

## Basic Financial Statements

## GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	1,453,766	3,558	1,457,324
Receivables:			
Property tax:			
Current year	18,132	-	18,132
Succeeding year	1,477,067	-	1,477,067
Due from other governments	12,654	-	12,654
Inventories	-	10,563	10,563
Capital assets, net of accumulated depreciation (note 3)	4,066,620	8,137	4,074,757
<b>Total assets</b>	<u>7,028,239</u>	<u>22,258</u>	<u>7,050,497</u>
<b>Liabilities</b>			
Accounts payable	77,646	-	77,646
Accrued interest payable	13,762	-	13,762
Deferred revenue:			
Succeeding year property tax	1,477,067	-	1,477,067
Long term liabilities:			
Portion due within one year:			
General obligation bonds	140,000	-	140,000
Portion due after one year:			
General obligation bonds	3,495,000	-	3,495,000
<b>Total liabilities</b>	<u>5,203,475</u>	<u>-</u>	<u>5,203,475</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	431,620	8,137	439,757
Restricted for:			
Management levy	80,346	-	80,346
67 1/2 cent schoolhouse levy	148,377	-	148,377
Physical plant and equipment levy	275,588	-	275,588
Debt service	5,114	-	5,114
Capital projects	288,077	-	288,077
Unrestricted	595,642	14,121	609,763
<b>Total net assets</b>	<u>1,824,764</u>	<u>22,258</u>	<u>1,847,022</u>

See notes to financial statements.



## GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues						Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$	\$
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	1,220,023	151,290	113,294	-	(955,439)	-	(955,439)
Special instruction	246,509	7,713	88,942	-	(149,854)	-	(149,854)
Other instruction	276,284	-	99,691	-	(176,593)	-	(176,593)
	<u>1,742,816</u>	<u>159,003</u>	<u>301,927</u>	<u>-</u>	<u>(1,281,886)</u>	<u>-</u>	<u>(1,281,886)</u>
Support services:							
Student services	53,640	-	1,578	-	(52,062)	-	(52,062)
Instructional staff services	88,141	-	-	-	(88,141)	-	(88,141)
Administration services	438,687	-	-	-	(438,687)	-	(438,687)
Operation and maintenance of plant services	353,010	-	683	-	(352,327)	-	(352,327)
Transportation services	186,684	-	-	-	(186,684)	-	(186,684)
	<u>1,120,162</u>	<u>-</u>	<u>2,261</u>	<u>-</u>	<u>(1,117,901)</u>	<u>-</u>	<u>(1,117,901)</u>
Non-instructional programs	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,000)</u>	<u>-</u>	<u>(21,000)</u>
Other expenditures:							
Facilities acquisition	866,057	-	6,351	519,225	(340,481)	-	(340,481)
Long term debt service interest	169,314	-	-	3,935	(165,379)	-	(165,379)
Long term debt services	300	-	-	-	(300)	-	(300)
AEA flowthrough	99,730	-	99,730	-	-	-	-
Depreciation (unallocated) *	96,436	-	-	-	(96,436)	-	(96,436)
	<u>1,231,837</u>	<u>-</u>	<u>106,081</u>	<u>523,160</u>	<u>(602,596)</u>	<u>-</u>	<u>(602,596)</u>
Total governmental activities	4,115,815	159,003	410,269	523,160	(3,023,383)	-	(3,023,383)

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues						
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Business-Type activities:							
Non-instructional programs							
Nutrition services	165,767	91,781	81,316	-	-	7,330	7,330
Total	<u>4,281,582</u>	<u>250,784</u>	<u>491,585</u>	<u>523,160</u>	<u>(3,023,383)</u>	<u>7,330</u>	<u>(3,016,053)</u>
General revenues:							
Property tax levied for:							
General purposes					1,053,298	-	1,053,298
Management Fund					44,679	-	44,679
Capital outlay					105,972	-	105,972
Debt service					301,218	-	301,218
Public education and recreation					14,319	-	14,319
School Infrastructure Local							
Option Sales Tax					13,849	-	13,849
Unrestricted state grants					1,049,801	-	1,049,801
Unrestricted investment earnings					11,805	-	11,805
Other					29,542	-	29,542
Total general revenue					<u>2,624,483</u>	<u>-</u>	<u>2,624,483</u>
Change in net assets					(398,900)	7,330	(391,570)
Net assets beginning of year, as restated					<u>2,223,664</u>	<u>14,928</u>	<u>2,238,592</u>
Net assets end of year					<u>1,824,764</u>	<u>22,258</u>	<u>1,847,022</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## GREENE COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash	498,873	-	357,634	597,259	1,453,766
Receivables:					
Property tax:					
Current year	12,614	3,543	-	1,975	18,132
Succeeding year	1,021,063	305,443	-	150,561	1,477,067
Due from other governments	11,209	-	1,445	-	12,654
Interfund receivable	-	5,220	3,649	-	8,869
<b>Total assets</b>	<u>1,543,759</u>	<u>314,206</u>	<u>362,728</u>	<u>749,795</u>	<u>2,970,488</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	1,462	-	74,651	1,533	77,646
Interfund payable	-	3,649	-	5,220	8,869
Deferred revenue:					
Succeeding year property tax	1,021,063	305,443	-	150,561	1,477,067
Total liabilities	<u>1,022,525</u>	<u>309,092</u>	<u>74,651</u>	<u>157,314</u>	<u>1,563,582</u>
Fund balances:					
Reserved for:					
Debt service	-	5,114	-	-	5,114
Capital projects	-	-	288,077	-	288,077
Unreserved	521,234	-	-	592,481	1,113,715
Total fund balances	<u>521,234</u>	<u>5,114</u>	<u>288,077</u>	<u>592,481</u>	<u>1,406,906</u>
<b>Total liabilities and fund balances</b>	<u>1,543,759</u>	<u>314,206</u>	<u>362,728</u>	<u>749,795</u>	<u>2,970,488</u>

See notes to financial statements.

## GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 1,406,906
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,066,620
Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,762)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds	<u>(3,635,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 1,824,764</u>

See notes to financial statements.

## GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	1,053,298	301,218	13,849	165,519	1,533,884
Tuition	159,003	-	-	-	159,003
Other	38,196	3,650	108,134	101,672	251,652
State sources	1,262,549	239	-	133	1,262,921
Federal sources	92,353	-	416,187	-	508,540
Total revenues	<u>2,605,399</u>	<u>305,107</u>	<u>538,170</u>	<u>267,324</u>	<u>3,716,000</u>
Expenditures:					
Instruction					
Regular instruction	1,203,964	-	-	16,059	1,220,023
Special instruction	246,509	-	-	-	246,509
Other instruction	172,149	-	-	104,135	276,284
	<u>1,622,622</u>	<u>-</u>	<u>-</u>	<u>120,194</u>	<u>1,742,816</u>
Support services					
Student services	53,640	-	-	-	53,640
Instructional staff services	88,141	-	-	-	88,141
Administration services	438,687	-	-	-	438,687
Operation and maintenance of plant services	276,310	-	-	76,700	353,010
Transportation services	119,843	-	-	-	119,843
	<u>976,621</u>	<u>-</u>	<u>-</u>	<u>76,700</u>	<u>1,053,321</u>
Non-instructional programs:					
Food service operations	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Other expenditures:					
Facilities acquisition and construction services	-	-	822,465	43,592	866,057
Long term debt service					
Principal	-	130,000	-	-	130,000
Interest	-	169,693	-	-	169,693
Services	-	300	-	-	300
AEA flowthrough	99,730	-	-	-	99,730
	<u>99,730</u>	<u>299,993</u>	<u>822,465</u>	<u>43,592</u>	<u>1,265,780</u>
Total expenditures	<u>2,719,973</u>	<u>299,993</u>	<u>822,465</u>	<u>240,486</u>	<u>4,082,917</u>

GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (Deficiency) of revenues over (under) expenditures	(114,574)	5,114	(284,295)	26,838	(366,917)
Other financing sources:					
Compensation for loss of fixed assets	<u>915</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>915</u>
Net change in fund balances	(113,659)	5,114	(284,295)	26,838	(366,002)
Fund balances beginning of year, as restated	<u>634,893</u>	<u>-</u>	<u>572,372</u>	<u>565,643</u>	<u>1,772,908</u>
Fund balances end of year	<u>521,234</u>	<u>5,114</u>	<u>288,077</u>	<u>592,481</u>	<u>1,406,906</u>

See notes to financial statements.

## GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (366,002)

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Depreciation expense	(163,277)
----------------------	-----------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

379

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

130,000

<b>Change in net assets of governmental activities (Exhibit B)</b>	<b><u><u>\$ (398,900)</u></u></b>
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## GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>91,781</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	61,797
Benefits	8,332
Services	755
Supplies	94,628
Depreciation	<u>255</u>
Total operating expenses	<u>165,767</u>
Operating (loss)	<u>(73,986)</u>
Non-operating revenues:	
Interest on investments	22
Capital contribution	21,000
State sources	2,371
Federal sources	<u>57,923</u>
	<u>81,316</u>
Change in net assets	7,330
Net assets beginning of year	<u>14,928</u>
Net assets end of year	<u><u>22,258</u></u>

See notes to financial statements.



## GREENE COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	91,782
Cash payments to employees for services	(70,789)
Cash payments to suppliers for goods or services	(75,554)
Net cash provided by (used in) operating activities	(54,561)
Cash flows from non-capital financing activities:	
State grants received	2,371
Federal grants received	39,804
Net cash provided by non-capital financing activities	42,175
Cash flows from capital financing activities:	
Capital contribution	21,000
Acquisition of capital assets	(5,166)
	15,834
Cash flows from investing activities:	
Interest on investments	22
Net increase (decrease) in cash and cash equivalents	3,470
Cash and cash equivalents beginning of year	88
Cash and cash equivalents end of year	3,558
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(73,986)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	255
Commodities used	18,119
Decrease in inventory	1,051
	(54,561)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	3,558

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$18,119.

See notes to financial statements.

## GREENE COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2004

#### (1) Summary of Significant Accounting Policies

Greene Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Greene, Iowa, and agricultural territory in Butler and Floyd Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

##### A. Reporting Entity

For financial reporting purposes, Greene Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Greene Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Butler County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

## E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

### **(3) Capital Assets**

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as restated (note 9)	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>103,600</u>	<u>-</u>	<u>-</u>	<u>103,600</u>
Capital assets being depreciated:				
Buildings	4,670,089	-	-	4,670,089
Improvements other than buildings	129,711	-	-	129,711
Furniture and Equipment	<u>640,231</u>	<u>-</u>	<u>-</u>	<u>640,231</u>
Total capital assets being depreciated	<u>5,440,031</u>	<u>-</u>	<u>-</u>	<u>5,440,031</u>
Less accumulated depreciation for:				
Buildings	815,859	90,370	-	906,229
Improvements other than buildings	90,450	6,066	-	96,516
Furniture and Equipment	<u>407,425</u>	<u>66,841</u>	<u>-</u>	<u>474,266</u>
Total accumulated depreciation	<u>1,313,734</u>	<u>163,277</u>	<u>-</u>	<u>1,477,011</u>
Total capital assets being depreciated, net	<u>4,126,297</u>	<u>(163,277)</u>	<u>-</u>	<u>3,963,020</u>
Governmental activities, capital assets, net	<u>4,229,897</u>	<u>(163,277)</u>	<u>-</u>	<u>4,066,620</u>

	Balance Beginning of Year, as restated (note 9)	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	6,443	5,166	-	11,609
Less accumulated depreciation	<u>3,217</u>	<u>255</u>	<u>-</u>	<u>3,472</u>
Business type activities capital assets, net	<u>3,226</u>	<u>4,911</u>	<u>-</u>	<u>8,137</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

66,841

96,436

163,277

Business Type activities:

Food service operations

255

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$97,360, \$99,027, and \$94,699 respectively, equal to the required contributions for each year.

#### (5) Risk Management

Greene Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provided capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$211,961.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Greene Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$99,730 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	<u>Bonds Payable</u>
Balance beginning of year	\$3,765,000
Additions	-
Reductions	<u>130,000</u>
Balance end of year	<u><u>\$3,635,000</u></u>

**(8) Bonds Payable**

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2005	3.50	140,000	165,142	305,142
2006	3.50	145,000	160,243	305,243
2007	3.50	155,000	155,167	310,167
2008	5.00	165,000	149,743	314,743
2009	5.00	175,000	141,492	316,492
2010	5.00	180,000	132,743	312,743
2011	4.80	195,000	123,742	318,742
2012	4.15	200,000	114,383	314,383
2013	4.25	210,000	106,082	316,082
2014	4.375	220,000	97,158	317,158
2015	4.50	230,000	87,532	317,532
2016	4.60	240,000	77,183	317,183
2017	4.70	250,000	66,142	316,142
2018	4.80	260,000	54,393	314,393
2019	4.80	275,000	41,912	316,912
2020	4.80	290,000	28,713	318,713
2021	4.85	<u>305,000</u>	<u>14,792</u>	<u>319,792</u>
Total		<u><u>3,635,000</u></u>	<u><u>1,716,562</u></u>	<u><u>5,351,562</u></u>



(9) Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus, Statement Number 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund				
	General	Debt Service	Capital Projects	Nonmajor	Total
Net assets, June 30, 2003, as previously reported	\$634,893	-	572,372	565,643	1,772,908
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$634,893</u>	<u>-</u>	<u>572,372</u>	<u>667,659</u>	1,772,908
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,313,734					4,229,897
Accrued interest payable					(14,141)
Long-Term Liabilities:					
General obligation bonds					(3,765,000)
Net assets, July 1, 2003, as restated					<u>\$ 2,223,664</u>

## **Required Supplementary Information**

**GREENE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	1,957,302	112,804	2,070,106	2,081,688	2,081,688	(11,582)
State sources	1,262,921	2,371	1,265,292	1,389,760	1,389,760	(124,468)
Federal sources	508,540	39,804	548,344	521,718	521,718	26,626
Total receipts	3,728,763	154,979	3,883,742	3,993,166	3,993,166	(109,424)
Disbursements:						
Instruction	1,766,150	-	1,766,150	2,057,000	2,057,000	290,850
Support services	1,053,321	-	1,053,321	1,336,000	1,336,000	282,679
Non-instructional programs	21,000	151,509	172,509	252,177	252,177	79,668
Other expenditures	1,637,664	-	1,637,664	3,024,359	3,024,359	1,386,695
Total disbursements	4,478,135	151,509	4,629,644	6,669,536	6,669,536	2,039,892
Excess (deficiency) of receipts over (under) disbursements	(749,372)	3,470	(745,902)	(2,676,370)	(2,676,370)	1,930,468
Other financing sources (uses)	915	-	915	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(748,457)	3,470	(744,987)	(2,676,370)	(2,676,370)	1,930,468
Balance beginning of year	2,202,223	88	2,202,311	3,178,263	3,178,263	3,347,565
Balance end of year	1,453,766	3,558	1,457,324	501,893	501,893	5,278,033

See accompanying independent auditor's report.

**GREENE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	3,728,763	(12,763)	3,716,000
Expenditures	4,478,135	(395,218)	4,082,917
Net	(749,372)	382,455	(366,917)
Other financing sources (uses)	915	-	915
Beginning fund balances	2,202,223	(429,315)	1,772,908
Ending fund balances	<u>1,453,766</u>	<u>(46,860)</u>	<u>1,406,906</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	154,979	18,118	173,097
Expenditures	151,509	14,258	165,767
Net	3,470	3,860	7,330
Beginning fund balances	88	14,840	14,928
Ending fund balances	<u>3,558</u>	<u>18,700</u>	<u>22,258</u>

See accompanying independent auditor's report.

**GREENE COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

The District did not exceed the amounts budgeted in any of the four functions.

## Other Supplementary Information

## GREENE COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	67 1/2 Cent	Physical	Public	
		Activity	Schoolhouse	Plant and	Education and	
			Levy	Equipment	Recreation	Total
	\$			Levy	Levy	\$
<b>Assets</b>						
Cash	79,810	88,170	148,377	280,902	-	597,259
Property tax receivable:						
Current year	536	-	-	1,268	171	1,975
Succeeding year	45,000	-	-	93,136	12,425	150,561
Total assets	<u>125,346</u>	<u>88,170</u>	<u>148,377</u>	<u>375,306</u>	<u>12,596</u>	<u>749,795</u>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Accounts payable	-	-	-	1,362	171	1,533
Interfund payable	-	-	-	5,220	-	5,220
Deferred revenue:						
Succeeding year property tax	45,000	-	-	93,136	12,425	150,561
	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>99,718</u>	<u>12,596</u>	<u>157,314</u>
Fund equity:						
Unreserved, undesignated fund balance	80,346	88,170	148,377	275,588	-	592,481
	<u>80,346</u>	<u>88,170</u>	<u>148,377</u>	<u>275,588</u>	<u>-</u>	<u>592,481</u>
<b>Total liabilities and fund equity</b>	<u>125,346</u>	<u>88,170</u>	<u>148,377</u>	<u>375,306</u>	<u>12,596</u>	<u>749,795</u>

See accompanying independent auditor's report.

## GREENE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	67 1/2 Cent Schoolhouse Levy	Physical Plant and Equipment Levy	Public Education and Recreation Levy	Total
	\$				\$	\$
Revenues:						
Local sources:						
Local tax	45,223	-	-	105,988	14,308	165,519
Other	640	97,514	167	3,351	-	101,672
State sources	36	-	-	86	11	133
Total revenues	45,899	97,514	167	109,425	14,319	267,324
Expenditures:						
Instruction:						
Regular instruction	16,059	-	-	-	-	16,059
Co-curricular instruction	-	104,135	-	-	-	104,135
Support services:						
Plant operation and maintenance	42,232	-	-	20,149	14,319	76,700
Other expenditures:						
Facilities acquisition and construction	-	-	-	43,592	-	43,592
Total expenditures	58,291	104,135	-	63,741	14,319	240,486
Excess (deficiency) of revenues over (under) expenditures	(12,392)	(6,621)	167	45,684	-	26,838
Fund balances beginning of year	92,738	94,791	148,210	229,904	-	565,643
Balance end of year	80,346	88,170	148,377	275,588	-	592,481

See accompanying independent auditor's report.



## GREENE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Athletics	10,596	33,045	34,419	9,222
District Football	6	-	-	6
Science Club	958	-	204	754
Cheerleaders	645	2,985	2,422	1,208
Junior Concessions	-	5,117	4,897	220
Athletic Concessions	10	8,838	8,848	-
Magazines	13,650	2,952	2,202	14,400
FFA	1,140	-	-	1,140
Home Ec Club	118	48	-	166
National Honor Society	824	5,353	4,434	1,743
Library	192	2,634	1,694	1,132
Music	4,930	652	1,428	4,154
Industrial Tech	1,026	950	1,116	860
Mr Sales	154	885	1,058	(19)
Science	4,970	428	228	5,170
Math	3,766	200	-	3,966
Drama/Speech	3,858	3,084	3,027	3,915
Annual	1,444	9,697	9,609	1,532
Student Council	2,051	6,565	6,017	2,599
MS Student Council	3,581	5,783	5,916	3,448
School Store	1,940	1,119	1,357	1,702
Elementary	3,749	872	1,587	3,034
High School	204	110	61	253
Insurance	10	-	-	10
Dues/Fees	3,917	391	1,163	3,145
Hi Fi	18,636	300	-	18,936
Jump Rope for Heart	429	-	7	422
Class of 2007	-	204	100	104
Class of 2001	348	-	-	348
Class of 2002	402	-	-	402
Class of 2003	1,264	-	668	596
Class of 2004	3,252	-	3,252	-
Class of 2005	5,967	2,126	5,638	2,455
Class of 2006	754	3,176	2,783	1,147
	<u>94,791</u>	<u>97,514</u>	<u>104,135</u>	<u>88,170</u>

See accompanying independent auditor's report.

## GREENE COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	1,053,298	968,346	906,654	871,454
Special revenue	165,519	156,412	149,307	143,586
Debt service	301,218	284,830	-	-
Capital projects	13,849	-	-	-
	<u>1,533,884</u>	<u>1,409,588</u>	<u>1,055,961</u>	<u>1,015,040</u>
State sources:				
General	1,262,549	1,359,519	1,345,842	1,364,600
Special revenue	133	135	156	155
Debt service	239	254	-	-
School nutrition	2,371	2,511	2,669	2,813
	<u>1,265,292</u>	<u>1,362,419</u>	<u>1,348,667</u>	<u>1,367,568</u>
Federal sources:				
General	92,353	65,382	49,156	52,716
Special revenue	-	25,000	-	-
Capital projects	416,187	-	-	-
School nutrition	57,923	51,613	47,560	43,125
	<u>566,463</u>	<u>141,995</u>	<u>96,716</u>	<u>95,841</u>
Total	<u><u>3,365,639</u></u>	<u><u>2,914,002</u></u>	<u><u>2,501,344</u></u>	<u><u>2,478,449</u></u>

See accompanying independent auditor's report.

## GREENE COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY04	<u>18,119</u>
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY04	32,856
School Breakfast Program	10.553	FY04	<u>6,949</u>
			<u>39,805</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6102-G-04	33,907
Innovative Education Program Strategies	84.298	FY04	1,833
Improving Teacher Quality - Grants to States	84.367	FY04	12,962
Grants for Assessments and Related Activities	84.369A	FY04	1,423
Rural Education Achievement Program	84.358	FY04	30,552
Iowa Demonstration Construction Grant	84.215K	FY04	266,699
School Renovation IDEA and Technology Grants	84.352	FY04	149,488
Safe and Drug-Free Schools and Communities States Grants	84.186	FY04	1,578
Area Education Agency 267:			
Special Education - Grants to States (IDEA Part B)	84.027	FY04	<u>13,150</u>
Total			<u><u>569,516</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Greene Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Greene Community School District:

We have audited the financial statements of the Greene Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 9, 2004. Our opinion was qualified due to the inability to satisfy ourselves about inventory quantities. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Greene Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greene Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-II-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-II-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Greene Community School District and other parties to whom Greene Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 9, 2004

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance**

To the Board of Education of the  
Greene Community School District:

Compliance

We have audited the compliance of Greene Community School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Greene Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Greene Community School District's management. Our responsibility is to express an opinion on Greene Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Greene Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Greene Community School District's compliance with those requirements.

In our opinion Greene Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Greene Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Greene Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Greene Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described as item 04-III-A in the accompanying Schedule of Findings and Questions Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Greene Community School District and other parties to whom Greene Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 9, 2004

**GREENE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215K - Iowa Demonstration Construction Grant
  - CFDA Number 84.352 - School Renovation, IDEA and Technology Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Greene Community School District did not qualify as a low-risk auditee.



**GREENE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-II-A      Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa such makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - Over the years the district has looked at various ways of dividing duties. As a result, responsibilities of individuals have been altered. We will, however, continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

CFDA Number: 84.215K Iowa Demonstration Construction Grant  
Federal Award Year: 2004  
US Department of Education  
Passed through Iowa Department of Education

CFDA Number: 84.352 School Renovation, IDEA and Technology Grants  
Federal Award Year: 2004  
US Department of Agriculture  
Passed through Prairie Lakes Area Education Agency

**GREENE COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

**Part III: Findings For Federal Awards:**  
**(continued):**

04-III-A     Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa such makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - Over the years the District has looked at various ways of dividing duties. As a result, responsibilities of individuals have been altered. We will, however, continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

04-IV-A     Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-IV-B     Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

04-IV-C     Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-IV-D     Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-IV-E     Business Transactions - No Business transactions between the District and District officials or employees were noted.

04-IV-F     Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

04-IV-G     Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

04-IV-H     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

04-IV-I     Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

04-IV-J     Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

